

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

SPECIAL SERVICES, JOHNSON COUNTY
AND SURROUNDING SCHOOLS
JOHNSON COUNTY, INDIANA

July 1, 2009 to June 30, 2011



FILED

02/22/2012

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report on the Financial Statement and Supplementary Schedule of Expenditures of Federal Awards	3-4
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance With Government Auditing Standards	5-6
Financial Statement: Statement of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis	9
Notes to Financial Statement	10-14
Supplementary Information: Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis	16-21
Audit Result and Comment: Internal Controls Over Payroll	22
Supplemental Audit of Federal Awards: Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	24-25
Schedule of Expenditures of Federal Awards	28
Notes to Schedule of Expenditures of Federal Awards	29
Schedule of Findings and Questioned Costs	30-33
Auditee Prepared Schedules: Summary Schedule of Prior Audit Findings	34
Corrective Action Plan	35-36
Exit Conference	37

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Brenda J. Bennett	07-01-09 to 06-30-12
Director	Pamela T. Wright	07-01-09 to 06-30-12
President of the Governing Board	Rich Arkanoff David Edds Dr. David Clendening	07-01-09 to 06-30-10 07-01-10 to 06-30-11 07-01-11 to 06-30-12



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENT
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE SPECIAL SERVICES, JOHNSON COUNTY
AND SURROUNDING SCHOOLS, JOHNSON COUNTY, INDIANA

We have audited the accompanying financial statement of the Special Services, Johnson County and Surrounding Schools (School Corporation), for the years ended June 30, 2010 and 2011. This financial statement is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the School Corporation prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting noted above is a different basis than that used in the prior year.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the School Corporation for the years ended June 30, 2010 and 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated January 25, 2012, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENT
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the School Corporation's financial statement. The Combining Schedules of Receipts, Disbursements, Other Financial Sources (Uses), and Cash and Investment Balances – Regulatory Basis, are presented for additional analysis and are not required parts of the financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances – Regulatory Basis has not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the School Corporation's management, Governing Board, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

January 25, 2012



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE SPECIAL SERVICES, JOHNSON COUNTY
AND SURROUNDING SCHOOLS, JOHNSON COUNTY, INDIANA

We have audited the financial statement of the Special Services, Johnson County and Surrounding Schools (School Corporation), for the years ended June 30, 2010 and 2011, and have issued our report thereon dated January 25, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal controls over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1 to be a material weakness.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The School Corporation's response to the findings identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the School Corporation's management, Governing Board, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

January 25, 2012

FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the School Corporation. The financial statement and notes are presented as intended by the School Corporation.

φ

(This page intentionally left blank.)

SPECIAL SERVICES, JOHNSON COUNTY AND SURROUNDING SCHOOLS
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended June 30, 2010 and 2011

	Cash and Investments		Other Financing		Cash and Investments		Other Financing		Cash and Investments	
	07-01-09	Receipts	Disbursements	Sources (Uses)	06-30-10	Receipts	Disbursements	Sources (Uses)	06-30-11	
General	\$ 655,430	\$ 1,150,177	\$ 670,588	\$ (34,444)	\$ 1,100,575	\$ 2,580,613	\$ 3,031,899	\$ (46,396)	\$ 602,893	
Capital Projects	11,487	122,622	82,870	(54,082)	(2,843)	108,987	103,613	(31,406)	(28,875)	
School Transportation	52,391	117,052	105,733	-	63,710	100,494	83,688	26,679	107,195	
School Bus Replacement	50,000	10,000	38,368	-	21,632	8,333	-	1,667	31,632	
Special Education Preschool	110,675	411,926	395,452	(127,149)	-	-	-	-	-	
Clark-Pleasant Joint Services	8,823	19,368	31,290	5,489	2,390	40,249	37,076	10,034	15,597	
Center Grove Joint Services	37,985	3,527	24,729	45,072	61,855	7,055	4,805	36,775	100,880	
Edinburgh Joint Services	49,472	93,610	33,175	19,520	129,427	44,708	49,066	146	125,215	
Franklin Joint Services	11,811	71,448	97,944	106,921	92,236	132,506	186,930	(13,088)	24,724	
Greenwood Joint Services	109,909	7,055	14,114	25,546	128,396	3,528	1,135	3,139	133,928	
Nineveh-Hensley-Jackson Joint Services	4,354	3,529	2,149	13,127	18,861	4,115	3,699	10,057	29,334	
Flatrock-Hawcreek Joint Services	-	10,000	-	-	10,000	8,556	475	22	18,103	
Southwestern Joint Services	-	10,000	-	-	10,000	7,055	1,559	2,375	17,871	
Southcentral Indiana School Trust	2,087	66,477	66,288	-	2,276	63,508	63,514	-	2,270	
ISU/Special Services Agreement #A58-0-10DL-071	-	-	-	-	-	127,667	141,332	-	(13,665)	
ISU/Special Services Agreement #A58-0-10DL-070	-	-	-	-	-	50,738	56,267	-	(5,529)	
ISU/Special Services Agreement #A58-0-10DL-073	-	-	-	-	-	18,020	20,032	-	(2,012)	
ISU/Special Services Agreement #A58-0-10DL-074	-	-	-	-	-	72,081	80,127	-	(8,046)	
IDEA	60,584	822,172	878,271	-	4,485	99,138	103,623	-	-	
14208-044-DY01 ISTART	2,884	10,235	13,119	-	-	-	-	-	-	
14210-033-PN01	-	3,580,680	3,566,846	-	13,834	1,278,091	1,291,925	-	-	
FP #14211-033-PN01	1,991	4,592	6,583	-	-	3,393,697	3,355,056	-	38,641	
14209-032-DY02 TASL	-	102,167	93,296	-	8,871	2,335	11,206	-	-	
Federal Assistance Educational Preschool Handicapped	-	102,921	102,473	-	448	-	448	-	-	
45710-033-PN01 Preschool 10/11	-	-	-	-	-	109,415	105,019	-	4,396	
FP#14208-040-DY04 EPICC	3,973	14,500	18,473	-	-	-	-	-	-	
ARRA Special Education - Part B	63,944	3,555,590	3,614,763	-	4,771	1,362,911	1,353,817	-	13,865	
ARRA Special Education - Part B - Preschool	-	104,493	103,260	-	1,233	90,691	86,547	-	5,377	
Payroll Withholdings	35,632	2,134,083	2,127,468	-	42,247	2,195,174	2,195,100	-	42,321	
Totals	\$ 1,273,432	\$ 12,528,224	\$ 12,087,252	\$ -	\$ 1,714,404	\$ 11,909,665	\$ 12,367,958	\$ 4	\$ 1,256,115	

The notes to the financial statement are an integral part of this statement.

SPECIAL SERVICES, JOHNSON COUNTY AND SURROUNDING SCHOOLS
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

School Corporation, as used herein, shall include, but is not limited to, school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

The School Corporation was established under the laws of the State of Indiana. The School Corporation operates under a Board of School Trustees form of government and provides educational services.

The accompanying financial statement presents the financial information for the School Corporation (primary government).

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Local sources which include taxes, revenue from local governmental units other than school corporations, transfer tuition, transportation fees, investment income, food services, school corporation activities, revenue from community services activities, and other revenue from local sources.

State sources which include distributions from the State of Indiana to be used by the School Corporation for various purposes. Included in state sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

Federal sources which include distributions from the federal government to be used by the School Corporation for various purposes. Included in federal sources are unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the School Corporation.

SPECIAL SERVICES, JOHNSON COUNTY AND SURROUNDING SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Other receipts which include amounts received from various sources which include return of petty cash, return of cash change, insurance claims for losses, sale of securities, and other receipts not listed in another category above.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Instruction which includes outflows for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

Support services which include outflows for support services related to students, instruction, general administration, and school administration. It also includes outflows for central services, operation and maintenance of plant services, and student transportation.

Facilities acquisition and construction which includes outflows for the acquisition, development, construction, and improvement of new and existing facilities.

Debt services which include fixed obligations resulting from financial transactions previously entered into by the School Corporation. It includes all expenditures for the reduction of the principal and interest of the School Corporation's general obligation indebtedness.

Nonprogrammed charges which include outflows for donations to foundations, securities purchased, indirect costs, scholarships, and self-insurance payments.

F. Other financing sources and uses

Other financing sources and uses are presented in the aggregate on the face of the financial statement. The aggregate other financing sources and uses include the following:

Transfers in which includes money received by one fund as a result of transferring money from another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

Transfers out which includes money paid by one fund to another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the School Corporation. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the School Corporation. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the School Corporation in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

SPECIAL SERVICES, JOHNSON COUNTY AND SURROUNDING SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 2. Budgets

The operating budget is prepared and approved at the local level. The Director of the School Corporation submits a proposed operating budget to the governing board for the following calendar year. Prior to November 1, the governing board approves the budget for the next year. The School Corporation's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board.

Note 3. Payment by Joint School Corporation Members

The joint school corporation members make General Fund payments at their discretion. Some school corporations pay when billed, while other school corporations divide the semiannual budget over three or six months. The capital projects fund payments are usually paid shortly after the billing is received from the Treasurer. This revenue is reported as local sources in financial statement.

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the School Corporation to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 5. Federal Grant Reimbursement

The timing of the grant reimbursements resulted in the Indiana State University grant funds' cash balances being negative for the period ending June 30, 2011.

Note 6. Risk Management

The School Corporation may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the School Corporation to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the School Corporation by recording as a disbursement and replacement items purchased.

SPECIAL SERVICES, JOHNSON COUNTY AND SURROUNDING SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 7. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS administers the plan and issues a publicly available financial report that includes financial statement and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

B. Teachers' Retirement Fund

Plan Description

The Indiana Teachers' Retirement Fund (TRF) is a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (IC 5-10.2) governs, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and gives the School Corporation authority to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

SPECIAL SERVICES, JOHNSON COUNTY AND SURROUNDING SCHOOLS
NOTES TO FINANCIAL STATEMENT
(Continued)

INPRS issues a publicly available financial report that includes financial statement and required supplementary information for the TRF plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 286-3544

Funding Policy and Annual Pension Cost

The School Corporation contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School Corporation currently receives partial funding, through the school funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

Note 8. Subsequent Event – Name Change

As of October 26, 2011, the Governing Board changed the name of the School Corporation from Special Services, Johnson County Schools to Special Services, Johnson County and Surrounding Schools.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the School Corporation's Financial Reports can be found on the Indiana Department of Education website: <http://mustang.doe.state.in.us/TRENDS/fin.cfm>. This website is maintained by the Indiana Department of Education. More current financial information is available from the School Corporation Treasurer's office.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Financial Reports of the School Corporation which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was prepared and/or approved by management of the School Corporation. It is presented as intended by the School Corporation.

SPECIAL SERVICES, JOHNSON COUNTY AND SURROUNDING SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2010

	General	Capital Projects	School Transportation	School Bus Replacement	Special Education Preschool	Clark- Pleasant Joint Services	Center Grove Joint Services	Edinburgh Joint Services	Franklin Joint Services
Cash and investments - beginning	\$ 655,430	\$ 11,487	\$ 52,391	\$ 50,000	\$ 110,675	\$ 8,823	\$ 37,985	\$ 49,472	\$ 11,811
Receipts:									
Local sources	885,515	122,622	117,052	10,000	411,926	19,368	3,527	93,610	71,448
State sources	263,303	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	1,359	-	-	-	-	-	-	-	-
Total receipts	<u>1,150,177</u>	<u>122,622</u>	<u>117,052</u>	<u>10,000</u>	<u>411,926</u>	<u>19,368</u>	<u>3,527</u>	<u>93,610</u>	<u>71,448</u>
Disbursements:									
Current:									
Instruction	431,656	-	-	-	297,206	908	851	33,166	97,750
Support services	180,624	33,989	105,733	38,368	98,246	30,382	23,878	9	194
Facilities acquisition and construction	41,456	43,491	-	-	-	-	-	-	-
Debt services	16,852	5,390	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	<u>670,588</u>	<u>82,870</u>	<u>105,733</u>	<u>38,368</u>	<u>395,452</u>	<u>31,290</u>	<u>24,729</u>	<u>33,175</u>	<u>97,944</u>
Excess (deficiency) of receipts over disbursements	<u>479,589</u>	<u>39,752</u>	<u>11,319</u>	<u>(28,368)</u>	<u>16,474</u>	<u>(11,922)</u>	<u>(21,202)</u>	<u>60,435</u>	<u>(26,496)</u>
Other financing sources (uses):									
Transfers in	270,519	-	-	-	-	44,777	45,072	19,520	106,921
Transfers out	(304,963)	(54,082)	-	-	(127,149)	(39,288)	-	-	-
Total other financing sources (uses)	<u>(34,444)</u>	<u>(54,082)</u>	<u>-</u>	<u>-</u>	<u>(127,149)</u>	<u>5,489</u>	<u>45,072</u>	<u>19,520</u>	<u>106,921</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>445,145</u>	<u>(14,330)</u>	<u>11,319</u>	<u>(28,368)</u>	<u>(110,675)</u>	<u>(6,433)</u>	<u>23,870</u>	<u>79,955</u>	<u>80,425</u>
Cash and investments - ending	<u>\$ 1,100,575</u>	<u>\$ (2,843)</u>	<u>\$ 63,710</u>	<u>\$ 21,632</u>	<u>\$ -</u>	<u>\$ 2,390</u>	<u>\$ 61,855</u>	<u>\$ 129,427</u>	<u>\$ 92,236</u>

SPECIAL SERVICES, JOHNSON COUNTY AND SURROUNDING SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2010
 (Continued)

	Greenwood Joint Services	Nineveh-Hensley - Jackson Joint Services	Flatrock- Hawcreek Joint Services	Southwestern Joint Services	Southcentral Indiana School Trust	IDEA	14208-044-DY01 ISTART	14210-033-PN01
Cash and investments - beginning	\$ 109,909	\$ 4,354	\$ -	\$ -	\$ 2,087	\$ 60,584	\$ 2,884	\$ -
Receipts:								
Local sources	7,055	3,529	10,000	10,000	66,477	172	-	3,680
State sources	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	822,000	10,235	3,577,000
Other	-	-	-	-	-	-	-	-
Total receipts	<u>7,055</u>	<u>3,529</u>	<u>10,000</u>	<u>10,000</u>	<u>66,477</u>	<u>822,172</u>	<u>10,235</u>	<u>3,580,680</u>
Disbursements:								
Current:								
Instruction	14,114	2,149	-	-	-	488,568	-	1,143,000
Support services	-	-	-	-	66,288	389,703	13,119	2,423,846
Facilities acquisition and construction	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Total disbursements	<u>14,114</u>	<u>2,149</u>	<u>-</u>	<u>-</u>	<u>66,288</u>	<u>878,271</u>	<u>13,119</u>	<u>3,566,846</u>
Excess (deficiency) of receipts over disbursements	<u>(7,059)</u>	<u>1,380</u>	<u>10,000</u>	<u>10,000</u>	<u>189</u>	<u>(56,099)</u>	<u>(2,884)</u>	<u>13,834</u>
Other financing sources (uses):								
Transfers in	25,546	13,127	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>25,546</u>	<u>13,127</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>18,487</u>	<u>14,507</u>	<u>10,000</u>	<u>10,000</u>	<u>189</u>	<u>(56,099)</u>	<u>(2,884)</u>	<u>13,834</u>
Cash and investments - ending	<u>\$ 128,396</u>	<u>\$ 18,861</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 2,276</u>	<u>\$ 4,485</u>	<u>\$ -</u>	<u>\$ 13,834</u>

SPECIAL SERVICES, JOHNSON COUNTY AND SURROUNDING SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2010
 (Continued)

	FP #14211-033-PN01	14209-032-DY02 TASL	Federal Assistance Educational Preschool Handicapped	FP#14208-040-DY04 EPICC	ARRA Special Education - Part B	ARRA Special Education - Part B - Preschool	Payroll Withholdings	Totals
Cash and investments - beginning	\$ 1,991	\$ -	\$ -	\$ 3,973	\$ 63,944	\$ -	\$ 35,632	\$ 1,273,432
Receipts:								
Local sources	(197)	-	-	-	10	-	-	1,835,794
State sources	-	-	-	-	-	-	-	263,303
Federal sources	4,789	102,167	102,921	14,500	3,555,580	104,493	-	8,293,685
Other	-	-	-	-	-	-	2,134,083	2,135,442
Total receipts	<u>4,592</u>	<u>102,167</u>	<u>102,921</u>	<u>14,500</u>	<u>3,555,590</u>	<u>104,493</u>	<u>2,134,083</u>	<u>12,528,224</u>
Disbursements:								
Current:								
Instruction	-	-	100,719	17,507	67,834	14,010	-	2,709,438
Support services	6,583	93,296	1,754	966	2,432,043	89,250	-	6,028,271
Facilities acquisition and construction	-	-	-	-	3,400	-	-	88,347
Debt services	-	-	-	-	-	-	-	22,242
Nonprogrammed charges	-	-	-	-	1,111,486	-	2,127,468	3,238,954
Total disbursements	<u>6,583</u>	<u>93,296</u>	<u>102,473</u>	<u>18,473</u>	<u>3,614,763</u>	<u>103,260</u>	<u>2,127,468</u>	<u>12,087,252</u>
Excess (deficiency) of receipts over disbursements	<u>(1,991)</u>	<u>8,871</u>	<u>448</u>	<u>(3,973)</u>	<u>(59,173)</u>	<u>1,233</u>	<u>6,615</u>	<u>440,972</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	525,482
Transfers out	-	-	-	-	-	-	-	(525,482)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(1,991)</u>	<u>8,871</u>	<u>448</u>	<u>(3,973)</u>	<u>(59,173)</u>	<u>1,233</u>	<u>6,615</u>	<u>440,972</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 8,871</u>	<u>\$ 448</u>	<u>\$ -</u>	<u>\$ 4,771</u>	<u>\$ 1,233</u>	<u>\$ 42,247</u>	<u>\$ 1,714,404</u>

SPECIAL SERVICES, JOHNSON COUNTY AND SURROUNDING SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011

	General	Capital Projects	School Transportation	School Bus Replacement	Clark- Pleasant Joint Services	Center Grove Joint Services	Edinburgh Joint Services	Franklin Joint Services	Greenwood Joint Services
Cash and investments - beginning	\$ 1,100,575	\$ (2,843)	\$ 63,710	\$ 21,632	\$ 2,390	\$ 61,855	\$ 129,427	\$ 92,236	\$ 128,396
Receipts:									
Local sources	2,317,310	108,987	100,494	8,333	40,249	7,055	44,708	132,506	3,528
State sources	263,303	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total receipts	<u>2,580,613</u>	<u>108,987</u>	<u>100,494</u>	<u>8,333</u>	<u>40,249</u>	<u>7,055</u>	<u>44,708</u>	<u>132,506</u>	<u>3,528</u>
Disbursements:									
Current:									
Instruction	734,917	-	-	-	4,900	848	42,575	94,980	1,135
Support services	2,275,374	34,105	83,688	-	32,176	3,957	6,491	91,950	-
Facilities acquisition and construction	-	62,153	-	-	-	-	-	-	-
Debt services	21,608	7,355	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	<u>3,031,899</u>	<u>103,613</u>	<u>83,688</u>	<u>-</u>	<u>37,076</u>	<u>4,805</u>	<u>49,066</u>	<u>186,930</u>	<u>1,135</u>
Excess (deficiency) of receipts over disbursements	<u>(451,286)</u>	<u>5,374</u>	<u>16,806</u>	<u>8,333</u>	<u>3,173</u>	<u>2,250</u>	<u>(4,358)</u>	<u>(54,424)</u>	<u>2,393</u>
Other financing sources (uses):									
Transfers in	143,496	19,913	26,679	1,667	28,931	36,775	8,383	43,118	20,851
Transfers out	(189,892)	(51,319)	-	-	(18,897)	-	(8,237)	(56,206)	(17,712)
Total other financing sources (uses)	<u>(46,396)</u>	<u>(31,406)</u>	<u>26,679</u>	<u>1,667</u>	<u>10,034</u>	<u>36,775</u>	<u>146</u>	<u>(13,088)</u>	<u>3,139</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(497,682)</u>	<u>(26,032)</u>	<u>43,485</u>	<u>10,000</u>	<u>13,207</u>	<u>39,025</u>	<u>(4,212)</u>	<u>(67,512)</u>	<u>5,532</u>
Cash and investments - ending	<u>\$ 602,893</u>	<u>\$ (28,875)</u>	<u>\$ 107,195</u>	<u>\$ 31,632</u>	<u>\$ 15,597</u>	<u>\$ 100,880</u>	<u>\$ 125,215</u>	<u>\$ 24,724</u>	<u>\$ 133,928</u>

SPECIAL SERVICES, JOHNSON COUNTY AND SURROUNDING SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

	Nineveh-Hensley - Jackson Joint Services	Flatrock- Hawcreek Joint Services	Southwestern Joint Services	Southcentral Indiana School Trust	ISU/Special Services Agreement #A58-0-10DL-071	ISU/Special Services Agreement #A58-0-10DL-070	ISU/Special Services Agreement #A58-0-10DL-073	ISU/Special Services Agreement #A58-0-10DL-074	IDEA
Cash and investments - beginning	\$ 18,861	\$ 10,000	\$ 10,000	\$ 2,276	\$ -	\$ -	\$ -	\$ -	\$ 4,485
Receipts:									
Local sources	4,115	8,556	7,055	63,508	-	-	-	-	-
State sources	-	-	-	-	127,667	50,738	18,020	72,081	-
Federal sources	-	-	-	-	-	-	-	-	99,138
Other	-	-	-	-	-	-	-	-	-
Total receipts	4,115	8,556	7,055	63,508	127,667	50,738	18,020	72,081	99,138
Disbursements:									
Current:									
Instruction	3,699	-	1,500	-	-	-	-	-	101,995
Support services	-	475	59	63,514	141,332	56,267	20,032	80,127	1,628
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-
Debt services	-	-	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-	-
Total disbursements	3,699	475	1,559	63,514	141,332	56,267	20,032	80,127	103,623
Excess (deficiency) of receipts over disbursements	416	8,081	5,496	(6)	(13,665)	(5,529)	(2,012)	(8,046)	(4,485)
Other financing sources (uses):									
Transfers in	10,057	3,434	2,375	-	-	-	-	-	-
Transfers out	-	(3,412)	-	-	-	-	-	-	-
Total other financing sources (uses)	10,057	22	2,375	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	10,473	8,103	7,871	(6)	(13,665)	(5,529)	(2,012)	(8,046)	(4,485)
Cash and investments - ending	\$ 29,334	\$ 18,103	\$ 17,871	\$ 2,270	\$ (13,665)	\$ (5,529)	\$ (2,012)	\$ (8,046)	\$ -

SPECIAL SERVICES, JOHNSON COUNTY AND SURROUNDING SCHOOLS
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended June 30, 2011
 (Continued)

	14210-033-PN01	FP #14211-033-PN01	14209-032-DY02 TASL	Federal Assistance Educational Preschool Handicapped	45710-033-PN01 Preschool 10/11	ARRA Special Education - Part B	ARRA Special Education - Part B - Preschool	Payroll Withholdings	Totals
Cash and investments - beginning	\$ 13,834	\$ -	\$ 8,871	\$ 448	\$ -	\$ 4,771	\$ 1,233	\$ 42,247	\$ 1,714,404
Receipts:									
Local sources	4,869	1,489	-	-	-	-	-	-	2,852,762
State sources	-	-	-	-	-	-	-	-	531,809
Federal sources	1,273,222	3,392,208	2,335	-	109,415	1,362,911	90,691	-	6,329,920
Other	-	-	-	-	-	-	-	2,195,174	2,195,174
Total receipts	1,278,091	3,393,697	2,335	-	109,415	1,362,911	90,691	2,195,174	11,909,665
Disbursements:									
Current:									
Instruction	490,235	1,018,881	-	448	105,019	27,701	20,629	-	2,649,462
Support services	801,690	2,336,175	11,206	-	-	471,474	65,918	-	6,577,638
Facilities acquisition and construction	-	-	-	-	-	17,689	-	-	79,842
Debt services	-	-	-	-	-	-	-	-	28,963
Nonprogrammed charges	-	-	-	-	-	836,953	-	2,195,100	3,032,053
Total disbursements	1,291,925	3,355,056	11,206	448	105,019	1,353,817	86,547	2,195,100	12,367,958
Excess (deficiency) of receipts over disbursements	(13,834)	38,641	(8,871)	(448)	4,396	9,094	4,144	74	(458,293)
Other financing sources (uses):									
Transfers in	-	-	-	-	-	-	-	-	345,679
Transfers out	-	-	-	-	-	-	-	-	(345,679)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	4
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(13,834)	38,641	(8,871)	(448)	4,396	9,094	4,144	74	(458,289)
Cash and investments - ending	\$ -	\$ 38,641	\$ -	\$ -	\$ 4,396	\$ 13,865	\$ 5,377	\$ 42,321	\$ 1,256,115

SPECIAL SERVICES, JOHNSON COUNTY AND SURROUNDING SCHOOLS
AUDIT RESULT AND COMMENT

INTERNAL CONTROLS OVER PAYROLL

We noted several deficiencies in the internal control system of the School Corporation related to payroll.

The Payroll/Human Resources Coordinator does not have sufficient internal controls over the entering and processing of payroll information. The Treasurer or the Deputy Treasurer cross checks each payroll's changes; however, there needs to be better controls over the payroll process. During our review of the payroll process, we noted that the Coordinator did not check much of her work in detail (in this instance, the hours worked, and the various routine payroll changes prior to turning the information over to the Treasurer or Deputy Treasurer to be reviewed. It appears that the Coordinator is simply relying on the person who does the cross checking process to find errors. Also, most of the paperwork used to do the review, including the errors that were found, is not retained to document that someone did review the payroll and the errors that were noted during the review.

The School Corporation needs to have sufficient policies and procedures in place to ensure that payroll changes are correct and are supported by proper documentation. Any corrections or adjustments made should be documented for audit purposes, and other than insignificant amounts, should be reviewed and approved by someone other than the person who either proposed or made the correction or adjustment.

The following error was found by the Treasurer, ten months after it occurred. An error in an Administrator's withholdings for insurance was made in the fall of 2009. The amount withheld was for a single plan, instead of a family plan. As a result, the Administrator's withholdings was under withheld for a period of approximately 10 months. The total amount of the under withholding was \$7,087. The Treasurer found the error and the Coordinator then notified the administrator of the error. The amount necessary to make up the under withholdings was spread over 19 pay periods. The final payroll adjustment to the Administrator's pay was made in November 2011.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE SPECIAL SERVICES, JOHNSON COUNTY
AND SURROUNDING SCHOOLS, JOHNSON COUNTY, INDIANA

Compliance

We have audited the compliance of the Special Services, Johnson County and Surrounding Schools (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the years ended June 30, 2010 and 2011. The School Corporation's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School Corporation's compliance with those requirements.

In our opinion, the School Corporation complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended June 30, 2010 and 2011. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2011-2 and 2011-3.

Internal Control Over Compliance

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there is no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2011-2 and 2011-3 to be material weaknesses.

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the School Corporation's management, Governing Board, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

January 25, 2012

(This page intentionally left blank.)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the School Corporation. The schedule and notes are presented as intended by the School Corporation.

SPECIAL SERVICES, JOHNSON COUNTY AND SURROUNDING SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2010 and 2011

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 6/30/2010	Total Federal Awards Expended 6/30/2011
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-Through Indiana Department of Education Special Education Cluster Special Education - Grants to States	84.027			
		14208-033-PN01	\$ 6,583	\$ -
		14209-033-PN01	293,640	-
		14209-033-PY02	247,191	103,623
		14210-033-PN01	3,563,166	1,287,056
		14211-033-PN01	-	3,355,060
		14208-040-DY04	18,473	-
		14209-032-DY02	<u>93,296</u>	<u>11,206</u>
Subtotal for program			<u>4,222,349</u>	<u>4,756,945</u>
Pass-Through Indiana State University				
		EDS A58-0-10DL-070	-	141,331
		EDS A58-0-10DL-071	-	56,267
		EDS A58-0-10DL-072	-	20,032
		EDS A58-0-10DL-073	<u>-</u>	<u>80,128</u>
Subtotal for program			<u>-</u>	<u>297,758</u>
Total for program			<u>4,222,349</u>	<u>5,054,703</u>
Pass-Through Indiana Department of Education Special Education - Preschool Grants	84.173			
		45710-033-PN01	102,474	448
		45711-033-PN01	<u>-</u>	<u>105,019</u>
Total for program			<u>102,474</u>	<u>105,467</u>
ARRA - Special Education - Grants to States, Recovery Act	84.391			
		33310-033-SN01	<u>3,614,761</u>	<u>1,353,815</u>
ARRA - Special Education - Preschool Grants, Recovery Act	84.392			
		44410-033-PN01	<u>103,260</u>	<u>86,547</u>
Total federal awards expended			<u>\$ 8,042,844</u>	<u>\$ 6,600,532</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

SPECIAL SERVICES, JOHNSON COUNTY AND SURROUNDING SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Special Services, Johnson County and Surrounding Schools (School Corporation) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1 et seq.), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

Note 2. Subrecipients

Of the federal expenditures presented in the schedule, the School Corporation provided federal awards to subrecipients as follows for the years ended June 30, 2010 and 2011:

Program Title	2010	2011
Special Education Cluster	\$ 1,111,486	\$ 836,953

SPECIAL SERVICES, JOHNSON COUNTY AND SURROUNDING SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiency identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	yes

Identification of Major Programs:

Name of Federal Program or Cluster

Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

FINDING 2011-1 - INTERNAL CONTROLS OVER PAYROLL

We noted several deficiencies in the internal control system of the School Corporation related to payroll.

The Payroll/Human Resources Coordinator does not have sufficient internal controls over the entering and processing of payroll information. The Treasurer or the Deputy Treasurer cross checks each payroll's changes; however, there needs to be better controls over the payroll process. During our review of the payroll process, we noted that the Coordinator did not check much of her work in detail (in this instance, the hours worked, and the various routine payroll changes prior to turning the information over to the Treasurer or Deputy Treasurer to be reviewed. It appears that the Coordinator is simply relying on the person who does the cross checking process to find errors. Also, most of the paperwork used to do the review, including the errors that were found, is not retained to document that someone did review the payroll and the errors that were noted during the review.

SPECIAL SERVICES, JOHNSON COUNTY AND SURROUNDING SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The School Corporation needs to have sufficient policies and procedures in place to ensure that payroll changes are correct and are supported by proper documentation. Any corrections or adjustments made should be documented for audit purposes, and other than insignificant amounts, should be reviewed and approved by someone other than the person who either proposed or made the correction or adjustment.

The following error was found by the Treasurer, 10 months after it occurred. An error in an Administrator's withholdings for insurance was made in the fall of 2009. The amount withheld was for a single plan, instead of a family plan. As a result, the Administrator's withholdings was under withheld for a period of approximately 10 months. The total amount of the under withholding was \$7,087. The Treasurer found the error and the Coordinator then notified the Administrator of the error. The amount necessary to make up the under withholdings was spread over 19 pay periods. The final payroll adjustment to the Administrator's pay was made in November 2011.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Section III – Federal Award Findings and Questioned Costs

FINDING 2011-2 - INTERNAL CONTROLS - ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: U.S. Department of Education

Federal Program: Special Education Cluster

CFDA Number: 84.027; 84.173; 84.391; 84.392

Pass-Through Entity: Indiana Department of Education

Federal Award Numbers: 14208-033-PN01; 14209-033-PN01; 14209-033-PY02; 14210-033-PN01;
14211-033-PN01; 14208-040-DY04; 14209-032-DY02; 45710-033-PN01;
45711-033-PN01; 33310-033-SN01; 44410-033-PN01

Pass-Through Entity: Indiana State University

Federal Award Numbers: EDS A58-0-10DL-070; EDS A58-0-10DL-071; EDS A58-0-10DL-072;
EDS A58-0-10DL-073

The Payroll/Human Resources Coordinator does not have adequate internal controls over the entering and processing of payroll information. The Treasurer or the Deputy Treasurer cross checks each payroll's changes; however, the current procedures need to be reviewed and adequate internal controls need to be developed over the payroll process. During our review of the payroll process, we noted that the Coordinator did not check much of her work in detail (in this instance, the hours worked, and the various routine payroll changes prior to turning the information over to the Treasurer or Deputy Treasurer to be reviewed. It appears that the Coordinator is simply relying on the person who does the cross checking process to find errors. Also, most of the paperwork used to do the review, including the errors that were found, was not usually retained to document that someone did review the payroll and the errors that were noted during the review.

SPECIAL SERVICES, JOHNSON COUNTY AND SURROUNDING SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Adjustments are sometimes posted through the payroll system. In one instance, a \$10,000 adjustment was made by a negative \$10,000 posting and a subsequent \$10,000 posting to an individual's payroll transactions for the pay period ending February 18, 2011. The adjustment was made to back the expense (posted in the prior six months ending December 31, 2010) out of #33310-033-SN01 (ARRA - Special Education - Grants to States, Recovery Act) and post it to 14211-033-PN01 (Special Education - Grants to States). Upon inquiry, the Treasurer said that they had inadvertently charged the #33310-033-SN01 grant rather than the 14211-033-PN01 grant. The transaction was posted through the payroll system instead of the budget expenditures so that the related pension expenditures would be automatically adjusted within the payroll processing system. There was a copy of an e-mail from the Treasurer to the Director and the Payroll/ Human Resources Coordinator concerning this adjustment.

34 CFR 80.20 states in part:

"(b) The financial management systems of other grantees and subgrantees must meet the following standards:

. . . (3) Internal control. Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that is used solely for authorized purposes. . . ."

The School Corporation staff should have sufficient policies and procedures in place to ensure that routine payroll expenditures and changes are correct and are supported by proper documentation. Any corrections or adjustments made should be documented for audit purposes. At a minimum, a log of adjustments (with references to the location for any supporting paperwork) should be kept. The \$10,000 adjustment was noted during a review of the budget history detail reports for the grant funds. Also, all adjustments, other than insignificant amounts, should be reviewed and approved by someone other than the person who either proposed or made that correction or adjustment.

We recommended that School Officials establish adequate internal controls over payroll processing.

FINDING 2011-3 - INTERNAL CONTROL OVER SUBRECIPIENT MONITORING

Federal Agency: U.S. Department of Education
Federal Program: ARRA - Special Education - Grants to States, Recovery Act
CFDA Number: 84.391
Pass-Through Entity: Indiana Department of Education
Award Numbers: 33310-033-SN01

Special Services, Johnson County and Surrounding Schools (SSJCSS) subgranted funds to several of the cooperative's member school corporations. We found that SSJCSS had no written procedures that described how and by whom the subrecipient responsibilities would be met. There was continuous communications between SSJCSS and the school corporations; however, SSJCSS did not actually monitor the school corporations' records. An example of such monitoring could include a review of the school corporations' financial ledger for the federal grant fund to determine whether the school corporations used the federal grant funds in compliance with applicable rules and regulations. Another example would be testing of the financial reports to the corporations' financial ledger to determine whether the school corporations had complied with the cash management regulations.

SPECIAL SERVICES, JOHNSON COUNTY AND SURROUNDING SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Circular A-133, Section 400(d) states:

"Pass-through entity responsibilities. A pass-through entity shall perform the following for the Federal awards it makes:

- (1) Identify Federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year, if the award is R&D, and name of Federal agency. When some of this information is not available, the passthrough entity shall provide the best information available to describe the Federal award.
- (2) Advise subrecipients of requirements imposed on them by Federal laws, regulations, and the provisions of contracts or grant agreements as well as any supplemental requirements imposed by the pass-through entity.
- (3) Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
- (4) Ensure that subrecipients expending \$300,000 (\$500,000 for fiscal years ending after December 31, 2003) or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year.
- (5) Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action.
- (6) Consider whether subrecipient audits necessitate adjustment of the passthrough entity's own records.
- (7) Require each subrecipient to permit the pass-through entity and auditors to have access to the records and financial statements as necessary for the pass-through entity to comply with this part."

Without adequate monitoring procedures for funds received under the ARRA IDEA program, SSJCSS cannot ensure that their member school corporations are properly reporting complete and accurate information or spending funds in accordance with ARRA requirements.

We recommended that School Officials develop internal controls to ensure that they have sufficient oversight and monitoring of their subrecipients for compliance with the federal grant regulations.

SPECIAL SERVICES, JOHNSON COUNTY AND SURROUNDING SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.



Special Services Johnson County and Surrounding Schools

Center Grove
Community School
Corporation

CORRECTIVE ACTION PLAN

Clark-Pleasant
Community School
Corporation

Section II. FINDING 2011-1. INTERNAL CONTROLS OVER PAYROLL

Edinburgh Community
School Corporation

and

Flat Rock-Hawcreek
Community School
Corporation

Section III. FINDING 2011-2. INTERNAL CONTROLS - ALLOWABLE COSTS/COST PRINCIPLES

Franklin Community
School Corporation

Federal Agency: U. S. Department of Education

Federal Program: Special Education Cluster

Greenwood Community
School Corporation

CFDA Number: 84.027

Pass-through Entity: Indiana Department of Education

Nineveh-Hensley-
Jackson Community
School Corporation

Federal Award Numbers: 14208-033-PN01; 14209-033-PN01; 14209-033-PY02; 14210-033-PN01; 14211-033-PN01; 14208-040-DY04; 14209-032-DY02; 45710-033-PN01; 45711-033-PN01; 33310-033-SN01; 44410-033-PN01;

Southwestern
Consolidated School
Corporation

Pass-through Entity: Indiana State University

Federal Award Numbers: EDS A58-0-10DL-070; EDS A58-0-10DL-071; EDS A58-0-10DL-072; EDS A58-0-10DL-073;

Contact Person: Brenda J. Bennett, Treasurer

Phone Number: (317) 738-7009

E-mail Address: bbennett@ssjcs.k12.in.us

Date to be Completed: 1-17-12

Special Services will meet with the Payroll/Human Resource Coordinator to address the importance of proofing all data before transferring the documents to another co-worker for cross-checking the information she has entered for the current payroll. Spreadsheets will be implemented for the payroll clerk to use each payroll as a way of documenting gross wages for certified and non-certified employees and as a way to cross-check total gross wages being paid with the total amount listed on the trial balance. The payroll clerk will also be able to balance total employees being paid within each payroll with total employees being paid on the trial balance. The spreadsheet will give a list of employees names, bi-weekly gross or hourly rate,, hours paid and total wages earned within the current payroll. The payroll clerk is currently tracking all employee insurance deductions on a spreadsheet as a way of completing the monthly claim being remitted to the Insurance Trust. The information inputted on the spreadsheet will be cross-checked by the Treasurer and/or Deputy Treasurer and any requested employee changes in deductions thereafter will be checked by the Deputy Treasurer and/or Treasurer. Insurance and 403b corrections and/or adjustments will be maintained on a spreadsheet log for each payroll and maintained within each payroll file. The Treasurer and/or Deputy Treasurer will review each payroll's spreadsheets and reports. Each person (including the payroll clerk) reviewing the payroll data will sign-off that they checked the reports for the current payroll being processed.



Special Services Johnson County and Surrounding Schools

CORRECTIVE ACTION PLAN

Center Grove
Community School
Corporation

Clark-Pleasant
Community School
Corporation

Edinburgh Community
School Corporation

Flat Rock-Hawcreek
Community School
Corporation

Franklin Community
School Corporation

Greenwood Community
School Corporation

Nineveh-Hensley-
Jackson Community
School Corporation

Southwestern
Consolidated School
Corporation

FINDING 2011-3. INTERNAL CONTROL OVER SUBRECIPIENT MONITORING

Federal Agency: U. S. Department of Education
Federal Program: ARRA - Special Education - Grants to States, Recovery Act
CFDA Number: 84.391
Pass-Through Entity: Indiana Department of Education
Award Numbers: 33310-033-SN01

Contact Person: Brenda J. Bennett
Phone Number: (317) 738-7009
E-mail Address: bbennett@ssjcs.k12.in.us
Date to be Completed: 1-17-12

If the need should arise in the future for Special Services to pass through federal funding to a district and/or other agency that would be considered as a sub recipient of federal funds, a contract agreement will be implemented and agreed upon by both parties outlining all expectations of the sub recipient in order to comply with federal mandated guidelines in disseminating federal funds. A copy of instructions that are provided by the Indiana Department of Education as a guideline for compliance of a federal grant award will be provided to the sub recipient. Within the agreement Special Services will include the federal project number, CFDA number, term of the grant period and the amount awarded to the said sub recipient. Special Services will also specify within the agreement that Special Services will monitor onsite the sub recipients records on a regular basis to make sure the sub recipient is maintaining quality records for an audit review and that federal guidelines are being followed. Special Services will request reports on a quarterly basis to verify that appropriations and expenditures balance to what is being reported on the district and/or agency's cash reimbursement form that is submitted to the Indiana Department of Education every two weeks for reimbursement. At the end of the grant term, each sub recipient will be required to submit to Special Services a final report before the Indiana Department of Education designated due date. Fund, revenue and history reports will be requested by Special Services along with a letter from the sub recipient stating that no findings were evident in their audit for the dissemination of the pass through funds. If there is a finding, the sub recipient will be required to provide a copy of their audit report to Special Services.



Brenda J. Bennett, Treasurer

1-17-12

Date

SPECIAL SERVICES, JOHNSON COUNTY AND SURROUNDING SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on January 25, 2012, with Brenda J. Bennett, Treasurer; Pamela T. Wright, Director; and Dr. David Clendening, President of the Governing Board.